



NEWS RELEASE

CALIFORNIA STATE TREASURER PHILIP ANGELIDES

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STATE TREASURER ANNOUNCES STANDARD & POOR'S RATING HIKE State's Credit Rating Upgraded from A+ to AA-

Following on the heels of a recent request by State Treasurer Philip Angelides, Standard & Poor's announced today that it will upgrade California's credit rating from A+ to AA-, bringing its ratings in line with those of Fitch (AA-) and Moody's (Aa3).

"Standard & Poor's increased confidence reflects our commitment to putting the State's fiscal house in order," said State Treasurer Philip Angelides. "The hard work is paying off, and will save California taxpayers millions of dollars in reduced interest costs."

Currently, the State has \$14.1 billion in General Obligation and Lease Revenue debt that has been authorized, but unissued. The interest savings on that debt, resulting from the rating upgrade, is expected to range from between \$64 million and \$107 million over the life of the bonds.

In late July, the Treasurer, State Director of Finance, and Controller's office met with representatives of Standard & Poor's, pressing for the rating upgrade based on a number of key factors, including:

- Improved debt management practices and long-term planning for infrastructure needs as reflected in the work of the Governor's infrastructure commission (The Commission on Building for the 21st Century) and the Treasurer's special edition of California's debt affordability report, **Smart Investments**
- On-time adoption of the State Budget with prudent reserves
- The overall strength and diversity of California's economy
- Use of excess revenues for one-time expenses, such as infrastructure investment

"The Governor has exercised fiscal discipline which has enabled the State to receive this rating upgrade. The taxpayers are the winners," said Department of Finance Director Tim Gage.

In 1986, the State last enjoyed Standard & Poor's highest AAA rating, but was downgraded in 1991 to AA. That action was attributed to a recessionary economy, chronic deficit and the elimination of prudent budget reserves. In 1992, Standard & Poor's downgraded the State's rating once again, from AA to A+, citing the 1992-93 state budget impasse. The rating hovered between A and A+ during subsequent years. The current upgrade is the first by Standard & Poor's since 1996.

Angelides pledged, when campaigning for office, to work hard to raise the State's credit rating which, at the time, was the third worst in the country. Only New York and Louisiana had worse ratings. As the result of this rating upgrade, California joins four other states in the AA- category, improving its ranking among the fifty states.

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